

Clearly this legislation could lead to a significant increase in the demand for replacement parts in a number of Member States.

Stricter pollution standards. A group of new Directives have been adopted for private car emissions. The Directive on small car emissions provides for mandatory norms from 1992 onwards. Voluntary EC standards for medium and large cars are expected to be tightened by 1993.

Although the Commission hopes that by 1992 advances in lean burn technology will be sufficient to meet the new standards, at present, the new norms (which are comparable to U.S. standards) can only be met by three-way catalytic converters.

Competition policy measures. Although the Commission allows selective or exclusive distribution arrangements in the auto sector, a number of conditions are attached to this exemption to safeguard effective competition. Two of the most important conditions for aftermarket suppliers are:

- . Consumers can have servicing or repairs done under the manufacturer's warranty anywhere in the Common Market.
- . Spare parts supplied by third parties that match the quality of those supplied by the automotive manufacturer can be sold and used in the official distribution network.

EC-wide import restraints. With regard to imports from Asian transplant facilities in North America, the Community appears to have reached the conclusion that these would not be included in any restraint agreement. It is expected that any vehicle considered by Canada and the U.S. as being "North American" under the Canada-U.S. Free Trade Agreement would be considered North American for purposes of import to the Community.

Local content. The local content issue revolves around whether a certain minimum mandatory percentage should be fixed for European content in foreign cars manufactured or assembled in the Community. Local content appears no longer to be an issue. The European Community apparently has no intention of introducing local content provisions for the auto industry.

Abolition of border barriers within the Community. Border controls between Member States result in significant costs for automotive producers in the EC. Direct costs arise from meeting existing border formalities; indirect costs occur because of delays, which influence inventory, buffer stocks, etc.

The abolition of frontier controls and formalities that slow the physical movement of goods will, therefore, result in important cost and efficiency improvements. These improvements should accrue to European firms and importing firms alike.